

# HOUSING NOW

## Canada



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: July 2012

## Canadian Market Overview

### New Home Market

#### *Housing starts increased in June*

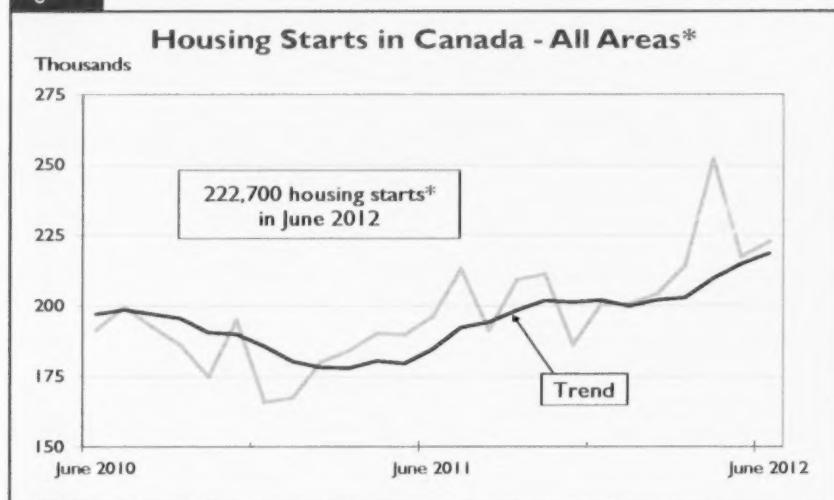
The number of housing starts was trending at 218,500 units in June. The trend is a moving average of the monthly seasonally adjusted annual rate (SAAR)<sup>1</sup> of housing starts. The stand-alone monthly SAAR was

222,700 units in June, up from 217,400 in May. The gain in June was concentrated in the multiples segment of the market, as the single starts segment declined for a second consecutive month.

### Table of Contents

- I Canadian Market Overview
- I New Home Market
  - I Housing Starts
  - 2 Stock of New and Unoccupied Units
  - 3 New Housing Price Index
- 3 Existing Home Market
  - 3 MLS® Sales and New Listings
  - 3 Sales-to-New-Listings Ratio
  - 3 MLS® Prices
- 4 Teranet-National Bank House Price Index
- 4 Economic Conditions
- 5 Starts Statistics
- 6 Other Housing Statistics

Figure 1



Source: CMHC

\*Seasonally adjusted at annual rates

<sup>1</sup>All starts figures in this report, other than actual starts, are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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### **Urban single starts posted a small decline in June, while multiple starts rose**

The seasonally adjusted annual rate of total urban<sup>2</sup> starts increased 2.6 per cent to 199,500 units in June from 194,500 units in May. While urban single starts posted a slight decrease of 0.3 per cent to 67,500 units, urban multiple rose by 4.1 per cent to 132,000 units in June.

### **Urban starts decreased in Ontario and the Prairies**

In June, the seasonally adjusted annual rate of urban starts decreased in Ontario (-9.0 per cent) and the Prairie Region (-6.9 per cent). Urban starts were higher in British Columbia (31.2 per cent), Québec (17.3 per cent) and the Atlantic Region (7.7 per cent).

Non-urban areas of Canada saw an increase of 1.3 per cent to a seasonally adjusted annual rate of rural starts of 23,200 units in June from 22,900 units in May.

### **Inventories of new and unoccupied units<sup>3</sup>**

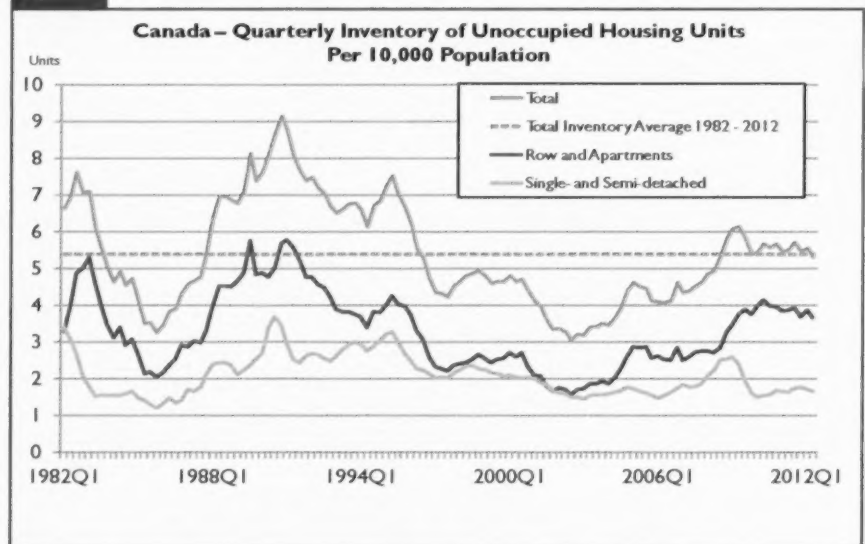
The stock of unoccupied new housing units has been stable over the past year, indicating continued strength in demand for newly completed homes.

After falling 28.4 per cent between 2009 and 2010, the number of new and unoccupied singles and semis in urban centres fluctuated narrowly between 5,500 and 6,200 units during 2011. In June 2012, the number of new and unoccupied single and semi-detached homes remained in this range, at 5,729. With respect to row and apartment units, the number of new and unoccupied units in urban centres stood at 12,732 in June, within the 2011 range of 12,600 to 14,200 units.

Similarly, the ratio of the stock of unoccupied new units to population, a simple gauge of potential over-building, has

stabilized in recent quarters at levels close to its historical average. In the second quarter of 2012, the total level of housing inventory per 10,000 population stood at 5.3, just below its 1982-2012 average of 5.4. As for the inventory of row and apartment units, the level recorded in the second quarter of 2012 was 3.7, above its historical average of 3.3 unoccupied units per 10,000 population, while the inventory of single and semi-detached units was 1.7, below its historical average of 2.1.

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets  
Sources: CMHC, Canadian Real Estate Association (CREA), MLS®

<sup>2</sup>Urban centres are defined as centres with a population of over 10,000. CMHC surveys urban centres 10,000-49,999 at the end of every quarter. Months which are not at the end of a quarter are thus estimates.

<sup>3</sup>The inventory of housing units is defined as the level of newly completed and unoccupied units. Units under construction are not taken into account in this inventory because some units under construction are pre-sold. The level of inventories discussed here is for urban centres with a population of at least 10,000.

## New housing price index: gains remain range-bound in May

The New Housing Price Index (NHPI) increased 2.4 per cent in May 2012 compared to May 2011. This is slightly down from the 2.5 per cent, year-over-year increase that was observed in April 2012. However, it remains in the stable 2.1 to 2.6 per cent range posted since June 2011.

New home prices increased in 18 out of 21 centres on a year-over-year basis. The largest increases in the NHPI were in Toronto and Oshawa at 5.5 per cent, followed by Winnipeg (4.4 per cent) and Regina (4.3 per cent). Declines were registered in Victoria (-3.2 per cent), Vancouver (-0.9 per cent) and St. John's (-0.1 per cent).

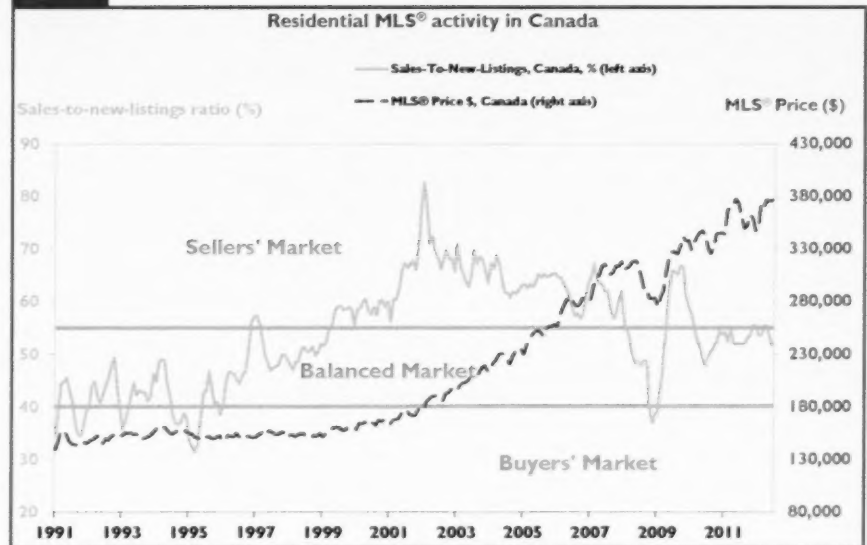
## Existing Home Market

### MLS® sales down and new listings up in June

The seasonally adjusted annual rate of MLS® (Multiple Listing Service®) sales decreased 1.3 per cent to 462,888 units in June from 469,152 units in May 2012.

The seasonally adjusted annual rate of MLS® new listings in June was 895,248, an increase of 1.4 per cent from 882,828 in May.

Figure 3



Data are seasonally adjusted and annualized, and cover Canada's major markets  
Sources: CMHC, Canadian Real Estate Association (CREA), MLS

### Increasingly balanced market conditions observed in June

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio<sup>5</sup>. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

In June, the decrease of MLS® sales combined with the increase in new listings to push down the sales-to-new-listings ratio for Canada to 51.7 per cent, from 53.1 per cent in May. Fifty-five per cent is commonly viewed as the threshold between balanced and sellers' market conditions.

### MLS® price decreased slightly in June

The national seasonally adjusted average MLS® price decreased 0.4 per cent in June to \$361,469 from \$362,920 in May. In June, the unadjusted MLS® average price decreased 0.8 per cent to \$369,339 from \$372,460 a year ago.

Earlier this year the Canadian Real Estate Association (CREA) launched a house price index that uses statistical techniques to control for changes over time in the types and quality of homes that are sold. According to this new measure, house prices in the markets covered<sup>6</sup> increased 5.1 per cent between

<sup>4</sup>Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association

<sup>5</sup>Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

<sup>6</sup>The MLS® Home Price Index is based on single family, townhouse/row unit, and apartment unit sales activity in Greater Vancouver, Fraser Valley, Calgary, Greater Montreal, and Greater Toronto.

June 2011 and June 2012.

Price increases were largest in Greater Toronto (7.9 per cent), followed by Calgary (5.6 per cent), Greater Montreal (2.7 per cent), the Fraser Valley (2.6 per cent), and Greater Vancouver (1.7 per cent).

In general, the trends in the two price measures published by CREA have diverged in recent months. Average existing home price growth trending steadily down for the past year, falling from a recent year-over-year high of 9.0 per cent in July 2011 to small year-over-year declines in 3 of the 4 latest months that have ranged from 0.3% to 0.8%. On the other hand, CREA's measure of home prices that accounts for changes in the types and quality of homes that are sold has been tightly range-bound between 5.1 per cent and 5.2 per cent since January 2012 (the launch date of this index).

By comparison, the Teranet-National Bank House Price Index, which also uses statistical techniques to control for changes in the types and quality of homes sold over time, resembles CREA's average price measure in direction, though with a lag, but not in levels. Specifically, growth in the Teranet-National Bank Index has trended steadily down from a recent peak of 8.0 per cent in November 2011 to 5.9 per cent in June 2012.

On balance, these measures are signalling a steady moderation in home price growth.

## Economic conditions

According to Statistics Canada, employment was unchanged for the second consecutive month in June. On the other hand, full-time employment increased 0.2% from May, while part-time employment decreased 0.7%.

Compared with 12 months earlier, employment was up 1.0 per cent in June (an increase of 181,100 jobs). Gains were concentrated in full-time employment, which saw a year-over-year increase of 1.6% (a gain of 221,500 jobs), while part-time employment fell 1.2 per cent over the same period (a loss of 40,400 jobs).

Statistics Canada reported that the unemployment rate declined to 7.2 per cent in June from 7.3 per cent in May as fewer people searched for work.

Statistics Canada's Consumer Price Index rose 1.5 per cent in the 12 months to June, following a 1.2 per cent increase in May. The increase in year-over-year inflation since May was led by higher prices for passenger vehicles and electricity. Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, rose 2.0 per cent in the 12 months to June, following a 1.8 per cent gain in May.

On July 17th, the Bank of Canada announced that it would maintain the Target for the Overnight Rate unchanged at 1.0 per cent. The Bank stated that "[...]while global headwinds are restraining Canadian economic activity,

domestic factors are expected to support moderate growth in Canada. The Bank expects the Canadian economy to grow at a pace roughly in line with its production potential in the near term, before picking up through 2013."

The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place September 5th, 2012. ■



# This Month's Housing Data (SAAR)

*Figures are preliminary and subject to change as more data becomes available.*

	2011	Q4:11	Q1:12	Q2:12	M04:12	M05:12	M06:12
<b>Housing starts, units, 000s</b>							
<b>Canada. Total. All areas</b>	<b>194.0</b>	<b>199.7</b>	<b>205.5</b>	<b>229.3</b>	<b>252.0</b>	<b>217.4</b>	<b>222.7</b>
Per cent change from previous period	2.1	-2.7	2.9	11.6	17.6	-13.7	2.4
<b>Canada. Total. Rural areas</b>	<b>19.6</b>	<b>20.6</b>	<b>19.0</b>	<b>22.6</b>	<b>20.6</b>	<b>22.9</b>	<b>23.2</b>
Per cent change from previous period	-17.5	-9.6	-7.8	18.9	-10.8	11.2	1.3
<b>Canada. Total. Urban areas</b>	<b>174.4</b>	<b>179.1</b>	<b>186.5</b>	<b>206.7</b>	<b>231.4</b>	<b>194.5</b>	<b>199.5</b>
Per cent change from previous period	4.9	-1.9	4.1	10.8	21.1	-15.9	2.6
<b>Canada. Single. Urban areas</b>	<b>67.1</b>	<b>67.5</b>	<b>67.4</b>	<b>67.9</b>	<b>70.9</b>	<b>67.7</b>	<b>67.5</b>
Per cent change from previous period	-9.6	-3.0	-0.1	0.7	5.0	-4.5	-0.3
<b>Canada. Multiple. Urban areas</b>	<b>107.3</b>	<b>111.6</b>	<b>119.1</b>	<b>138.8</b>	<b>160.5</b>	<b>126.8</b>	<b>132.0</b>
Per cent change from previous period	16.7	-1.2	6.7	16.5	29.9	-21.0	4.1
<b>Newfoundland. Total. All areas</b>	<b>3.5</b>	<b>3.2</b>	<b>3.6</b>	<b>4.0</b>	<b>4.6</b>	<b>4.5</b>	<b>4.7</b>
Per cent change from previous period	-3.3	-11.1	12.5	11.1	53.3	-2.2	4.4
<b>Prince Edward Island. Total. All areas</b>	<b>0.9</b>	<b>1.2</b>	<b>0.5</b>	<b>1.1</b>	<b>1.2</b>	<b>0.7</b>	<b>1.3</b>
Per cent change from previous period	24.3	-7.7	-58.3	120.0	200.0	-41.7	85.7
<b>Nova Scotia. Total. All areas</b>	<b>4.6</b>	<b>4.9</b>	<b>3.9</b>	<b>3.9</b>	<b>3.2</b>	<b>4.4</b>	<b>4.1</b>
Per cent change from previous period	7.8	-10.9	-20.4	0.0	-27.3	37.5	-6.8
<b>New Brunswick. Total. All areas</b>	<b>3.5</b>	<b>3.8</b>	<b>2.5</b>	<b>3.8</b>	<b>2.5</b>	<b>4.7</b>	<b>5.4</b>
Per cent change from previous period	-15.8	-7.3	-34.2	52.0	38.9	88.0	14.9
<b>Quebec. Total. All areas</b>	<b>48.4</b>	<b>48.1</b>	<b>41.3</b>	<b>52.5</b>	<b>62.6</b>	<b>42.0</b>	<b>48.1</b>
Per cent change from previous period	-5.8	-2.6	-14.1	27.1	42.9	-32.9	14.5
<b>Ontario. Total. All areas</b>	<b>67.8</b>	<b>66.8</b>	<b>79.0</b>	<b>81.8</b>	<b>98.4</b>	<b>80.3</b>	<b>73.3</b>
Per cent change from previous period	12.2	-6.2	18.3	3.5	13.8	-18.4	-8.7
<b>Manitoba. Total. All areas</b>	<b>6.1</b>	<b>7.3</b>	<b>6.8</b>	<b>7.8</b>	<b>5.1</b>	<b>12.2</b>	<b>5.0</b>
Per cent change from previous period	3.3	12.3	-6.8	14.7	-34.6	139.2	-59.0
<b>Saskatchewan. Total. All areas</b>	<b>7.0</b>	<b>7.4</b>	<b>8.9</b>	<b>9.6</b>	<b>11.1</b>	<b>6.9</b>	<b>10.8</b>
Per cent change from previous period	19.0	-8.6	20.3	7.9	33.7	-37.8	56.5
<b>Alberta. Total. All areas</b>	<b>25.7</b>	<b>30.4</b>	<b>31.2</b>	<b>35.5</b>	<b>39.4</b>	<b>33.4</b>	<b>33.5</b>
Per cent change from previous period	-5.1	10.9	2.6	13.8	10.7	-15.2	0.3
<b>British Columbia. Total. All areas</b>	<b>26.4</b>	<b>26.6</b>	<b>27.8</b>	<b>29.3</b>	<b>23.9</b>	<b>28.3</b>	<b>36.5</b>
Per cent change from previous period	-0.3	-5.7	4.5	5.4	5.8	18.4	29.0

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

## This Month's Housing Data, continued (SAAR)\*

	2011	Q4:11	Q1:12	Q2:12	M04:12	M05:12	M06:12
<b>Housing starts, units, 000s</b>							
Canada. Total. Urban areas	174.4	179.1	186.5	206.7	231.4	194.5	199.5
Newfoundland. Total. Urban areas	2.3	2.0	2.5	2.6	3.4	2.3	2.2
Prince Edward Island. Total. Urban areas	0.7	0.8	0.3	0.8	1.0	0.4	1.0
Nova Scotia. Total. Urban areas	4.1	4.4	3.2	3.2	2.4	3.4	3.3
New Brunswick. Total. Urban areas	2.5	2.5	2.0	2.8	1.7	3.0	3.3
Quebec. Total. Urban areas	41.8	41.0	35.3	45.2	56.5	36.5	42.8
Ontario. Total. Urban areas	65.2	64.1	77.1	79.7	95.6	77.7	70.7
Manitoba. Total. Urban areas	4.2	5.2	4.3	5.4	3.6	9.4	3.1
Saskatchewan. Total. Urban areas	5.7	6.4	7.0	7.1	8.5	4.9	7.9
Alberta. Total. Urban areas	23.6	28.3	28.9	32.5	36.8	30.9	31.1
British Columbia. Total. Urban areas	24.3	24.4	25.9	27.4	21.9	26.0	34.1

SOURCE: CMHC, Starts & Completions Survey. All quarterly and monthly data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

## This Month's Major Housing Indicators

	2011	Q4:11	Q1:12	Q2:12	M04:12	M05:12	M06:12
<b>New Housing</b>							
New & unoccupied singles & semis, units 000s	6.2	6.2	6.1	5.7	5.9	5.8	5.7
Per cent change from same period previous year	6.0	6.0	4.2	2.9	3.5	4.6	2.9
New & unoccupied row & apartments, units 000s	12.9	12.9	13.1	12.7	13.0	12.5	12.7
Per cent change from same period previous year	-6.0	-6.0	1.6	-4.1	3.1	-1.2	-4.1
New House Price Index, 2007=100	105.5	106.4	107.0	n.a.	107.5	107.8	n.a.
Per cent change from same period previous year	2.2	2.5	2.4	n.a.	2.5	2.4	n.a.

## Existing Housing

MLS® resales*, units 000s	457.3	471.4	473.7	472.6	485.8	469.2	462.9
Per cent change from same period previous year	2.4	7.3	3.3	6.3	10.0	6.5	2.4
MLS® average resale price**, 000s	363.1	360.6	368.4	364.3	368.4	362.9	361.5
Per cent change from same period previous year	7.1	3.9	1.0	-0.4	0.6	-1.1	-0.6

## Mortgage Market

Posted 1-Year Mortgage Rate, % (period average)	3.52	3.50	3.30	3.20	3.20	3.20	3.20
Posted 5-Year Mortgage Rate, % (period average)	5.37	5.29	5.26	5.34	5.44	5.34	5.24

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available.

\* Annual data is actual. Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

\*\* Annual data is actual. Quarterly and monthly data is seasonally adjusted.

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